

AMENDED IN SENATE JUNE 17, 1999

AMENDED IN SENATE JUNE 10, 1999

AMENDED IN ASSEMBLY APRIL 26, 1999

AMENDED IN ASSEMBLY MARCH 18, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

## ASSEMBLY BILL

**No. 329**

**Introduced by Assembly Member Scott**

February 11, 1999

---

---

An act to amend Section 12978 of, and to add Section 11580.02 to, the Insurance Code, relating to insurance.

### LEGISLATIVE COUNSEL'S DIGEST

AB 329, as amended, Scott. Insurance: compensation: fees.

Existing law imposes various requirements on liability insurers and on policies issued by liability insurers.

This bill would *authorize a liability insurer to review bills submitted for the defense of its insured*, but would also enact certain restrictions on the compensation of a person retained by a liability insurer to review *those bills*—~~submitted for the defense of its insured~~.

Existing law sets forth various fees to be paid by persons licensed by the Department of Insurance. Under existing law, the Insurance Commissioner is authorized to increase or decrease those fees by a uniform percentage rounded to the nearest whole dollar and subject to the circulation of, and nonobjection to, a bulletin announcing this change, as

necessary to allow the department to meet the appropriation authorized by the annual Budget Act.

This bill would remove the requirement that any increase or decrease in the statutory fees be by a uniform percentage for all fees rounded to the nearest whole dollar, and would require that the bulletin announcing the change in fees be in writing and disclose the necessity of the increase or decrease, and describe the regulatory activities and functions to be affected.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 11580.02 is added to the  
2 Insurance Code, to read:

3 ~~11580.02. Compensation of a person retained by a~~  
4 ~~liability insurer to review bills submitted for the defense~~  
5 ~~of its insured shall not be based on any of the following:~~

6 *11580.02. A liability insurer may review bills*  
7 *submitted for the defense of its insured, but shall not*  
8 *compensate a reviewer retained by the liability insurer to*  
9 *review those bills based on any of the following:*

10 (a) A percentage of the amount by which a bill is  
11 reduced for payment.

12 (b) The cost of services for which the person or insurer  
13 has denied authorization of payment.

14 (c) An agreement that no compensation will be due  
15 unless one or more bills are reduced for payment.

16 SEC. 2. Section 12978 of the Insurance Code is  
17 amended to read:

18 12978. Notwithstanding any other provision of law,  
19 the commissioner may increase or decrease the fees set  
20 forth in this code as necessary to allow the department to  
21 meet the appropriation authorized by the annual Budget  
22 Act. However, any increase or decrease so made shall be  
23 made only in accordance with this section, and a fee  
24 increase shall not exceed 10 percent without the prior  
25 approval of the Legislature.

1 A single annual increase or decrease in fees, on a fiscal  
2 year basis, may be made by the department at any time  
3 during the year provided it is announced by bulletin  
4 issued at least 90 days prior to the effective date of that  
5 increase or decrease. The bulletin shall provide notice in  
6 writing of the necessity of any fee increase or decrease,  
7 describing the regulatory activities and functions to be  
8 affected, and this bulletin shall be sent to all affected  
9 parties and to both houses of the Legislature. Any fee  
10 increase or decrease may be rescinded by a majority vote  
11 of both houses of the Legislature not later than 60 days  
12 after the issuance of the bulletin announcing the increase  
13 or decrease.

14 In the event the bulletin is issued during the period  
15 between August 1 and December 1 of any year, the  
16 department shall provide notice in writing of the  
17 necessity of any fee increase or decrease as proposed in  
18 the bulletin upon issuance of the bulletin to the  
19 chairperson of the committee in each house which  
20 considers appropriations and the Chairperson of the Joint  
21 Legislative Budget Committee.

22 If written notice is provided to the commissioner  
23 within 60 days of the issuance of the bulletin announcing  
24 the increase or decrease by any of the chairpersons that  
25 there is an objection to the fee increase or decrease, the  
26 increase or decrease shall take effect February 1 of the  
27 following year unless rescinded by a majority vote of both  
28 houses of the Legislature by that date, rather than 60 days  
29 after issuance of the bulletin.

30 The limit on the amount which the fees may be  
31 increased or decreased shall be the amount necessary to  
32 provide sufficient moneys to meet the appropriations  
33 contained in the Governor's Budget for the next  
34 succeeding fiscal year, or, to the extent that moneys  
35 received or projected to be received by the department  
36 are insufficient to meet the appropriation authorized by  
37 the annual Budget Act during the then current fiscal  
38 year, an amount necessary to meet that appropriation.

O